

Message Text

PAGE 01 STATE 011712
ORIGIN INR-07

INFO OCT-01 NEA-10 ISO-00 SSM-03 EB-07 OC-06 CCO-00 IO-13
EUR-12 CIAE-00 NSAE-00 ACDA-07 MCT-01 PM-04 NSC-05
SP-02 SS-15 /093 R

DRAFTED BY INR/RNA/NE:AAVACCARO:CA
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S E C R E T STATE 011712

E.O. 11652: XGDS-2

TAGS: EG, IS, PINR

SUBJECT: INTSUM 235 - JANUARY 18, 1977

1. LEBANON. BEIRUT'S BANKS, WHICH HAD BEEN CLOSED FOR
10 MONTHS, FORMALLY REOPENED YESTERDAY AFTER LEBANON'S
CENTRAL BANK PROMISED TO PROVIDE ADDITIONAL FUNDS IF
NECESSARY TO WITHSTAND ANTICIPATED WITHDRAWALS.
AT SARKIS' REQUEST, NO LIMITS HAVE BEEN SET ON WITHDRAWALS
OR TRANSFERS.

2. REGARDING PLANS TO REBUILD BEIRUT'S BUSINESS AREAS,
PARTICULARLY THE COMMERCIAL DISTRICT, THE PROPOSED
SOLUTION FINDING MOST FAVOR IN LEBANON IS THE FORMATION
OF SEVERAL LARGE DEVELOPMENT COMPANIES, TO WHICH THE
RECONSTRUCTION OF SPECIFIC SECTORS WOULD BE ALLOTTED.
THE COMPANIES WOULD HAVE MIXED PUBLIC AND PRIVATE OWNER-
SECRET

PAGE 02 STATE 011712

SHIP, UNDER THE AEGIS OF A CENTRAL PLANNING BOARD.
PREVIOUS OWNERS OR USERS OF PREMISES WITHIN EACH SECTOR
WOULD BE GIVEN SHARES IN THE CORRESPONDING DEVELOPMENT
COMPANY.

3. OUR DEFENSE ATTACHE IN TEL AVIV WAS GIVEN AN ISRAELI
APPRECIATION OF THE SITUATION IN SOUTHERN LEBANON. THE
MAIN POINTS WERE:

--CURRENT PALESTINIAN STRENGTH IN SOUTH LEBANON IS NOW

ABOUT THE SAME LEVEL AS EXISTED PRIOR TO THE LEBANESE CIVIL WAR (5,000-6,000);

--CHRISTIAN FORCES IN THE AREA NUMBER ABOUT 1,000;

--FATAH IS ATTEMPTING TO AGAIN BECOME THE MAJOR FACTOR IN SOUTHERN LEBANON. THEY WILL ATTEMPT TO PERSUADE CHRISTIAN ELEMENTS THAT FATAH CAN SUPPLY WHAT ISRAEL IS NOW PROVIDING;

--FATAH WILL NOT TAKE DIRECT MILITARY ACTION AGAINST THE CHRISTIANS; AND

--TERRORIST ATTACKS AGAINST ISRAEL BY FATAH ARE UNLIKELY. (CONFIDENTIAL)

4. ABOU DAOUD. FRENCH PRESIDENT GISCARD AT A PRESS CONFERENCE YESTERDAY, STRONGLY DEFENDED FRANCE'S RELEASE OF PALESTINIAN TERRORIST ABOU DAOUD. CITING RECENT INSTANCES WHEN FRANCE HAD TAKEN A HARD LINE AGAINST TERRORIST ACTS, GISCARD ASKED THOSE "WHO WISH TO BE OUR FRIENDS TO REFRAIN FROM GIVING US THEIR LESSONS." REPEATING ARGUMENT" MADE LAST WEEK BY PRIME MINISTER BARRE, GISCARD SUGGESTED THAT WEST GERMANY, AND NOT FRANCE, WAS PRIMARILY RESPONSIBLE FOR DAOUD'S RELEASE SINCE THE BONN GOVERNMENT HAD NOT PRODUCED A FORMAL EXTRADITION REQUEST PROMPTLY.

SECRET

PAGE 03 STATE 011712

5. THE DAOUD AFFAIR WILL PROBABLY NOT BECOME A MAJOR POLITICAL ISSUE WITHIN FRANCE. BOTH THE LEFT AND THE RIGHT HAVE BEEN RELUCTANT TO SPEAK OUT BECAUSE THEY WISH TO AVOID TAKING WHAT COULD BE INTERPRETED AS EITHER A PRO-ISRAELI OR A PRO-TERRORIST POSITION.

6. THE FRENCH ARE COUNTING ON THE DAOUD INCIDENT NOT SERIOUSLY AFFECTING RELATIONS WITH ISRAEL. ACCORDING TO AN ISRAELI FOREIGN MINISTRY OFFICIAL, THE ISRAELI GOVERNMENT IS WILLING TO PLAY DOWN THE INCIDENT, ALTHOUGH IT WILL PROBABLY CANCEL OR POSTPONE SEVERAL VISITS BY FRENCH CABINET MINISTERS PLANNED FOR NEXT MONTH. FRENCH FOREIGN MINISTER GUIRINGAUD'S VISIT TO ISRAEL, NOW SET FOR FEBRUARY 27, MAY ALSO BE DELAYED.

7. ARABS-PEACE. BOTH ASAD AND SADAT, IN INTERVIEWS PUBLISHED SUNDAY, HAVE REEMPHASIZED THEIR POSITIONS ON MIDDLE EAST PEACE STRATEGIES. THEY ARE APPARENTLY TRYING TO MAINTAIN THE MOMENTUM OF THE ARAB PEACE OFFENSIVE IN THE FACE OF INCREASINGLY LIKELY DELAYS IN THE RECONVENING OF THE GENEVA CONFERENCE OCCASIONED BY THE ISRAELI ELECTIONS AND A NEW US ADMINISTRATION. THE PUBLIC PRONOUNCEMENTS OF THESE TWO LEADERS ALSO APPEAR DESIGNED TO STEP UP THE PRESSURE ON THE PALESTINIANS TO

SORT OUT THEIR OWN POLICY STANCE VIS-A-VIS THE PEACE PROCESS AND TO PICTURE ISRAEL AS THE INTRANSIGENT MIDDLE EAST ACTOR BY CONTINUING TO EVINCE A WILLINGNESS TO NEGOTIATE IN GOOD FAITH AND REPEATEDLY OUTLINING THE CONCESSIONS THE ARABS ARE PREPARED TO MAKE TO PROPEL THE PEACE PROCESS TO A SUCCESSFUL END.

8. HOWEVER, ASAD HAS NEVER BEEN OPTIMISTIC THAT THE ARAB PEACE INITIATIVES WILL ACHIEVE RESULTS IN THE CURRENT YEAR. IN HIS TIME MAGAZINE INTERVIEW RELEASED SUNDAY, ASAD STATED THAT HE DID NOT BELIEVE A FINAL SOLUTION
SECRET

PAGE 04 STATE 011712

WOULD BE REACHED IN 1977, AND POINTED TO ISRAELI INTRANSIGENCE AS THE PRINCIPAL REASON FOR HIS VIEW.

9. DESPITE ASAD'S APPARENT PESSIMISM REGARDING PROSPECTS FOR PEACE IN 1977, HE REPEATED SOME OF THE SPECIFIC CONCESSIONS THE SYRIANS ARE PREPARED TO MAKE IN A FINAL SETTLEMENT, STATING THAT SYRIA:

--WOULD AGREE TO SIGN A PACT ENDING THE STATE OF WAR;

--IS WILLING TO DISCUSS "GUARANTEES," SUCH AS THE STATIONING OF UN PEACEKEEPING FORCES IN A BUFFER ZONE, PROVIDED THE FORCES PATROL BOTH SIDES OF THE FINAL BORDERS.

10. IN A DRAMATIC SHIFT FROM HIS PREVIOUS POSITION SUPPORTING PALESTINIAN PARTICIPATION AT GENEVA, HOWEVER, ASAD STATED CATEGORICALLY THAT A PALESTINIAN REFUSAL TO ATTEND THE GENEVA CONFERENCE "WOULD NOT PARALYZE THE MOVEMENT OF THE ARAB STATES CONCERNED." IN SUCH A CASE, THE ARAB STATES WOULD DECIDE THE FATE OF THE "OCCUPIED TERRITORIES" AND INSURE PALESTINIAN RIGHTS.

11. CONCERNING THE FORM OF PALESTINIAN REPRESENTATION AT GENEVA, ASAD REITERATED HIS PREFERENCE FOR A SINGLE UNIFIED ARAB DELEGATION, BUT ADDED THAT THIS ISSUE IS STILL SUBJECT TO DISCUSSION BY ARAB LEADERS. THIS

LATTER CAVEAT MAY HAVE BEEN A SOP TO SADAT, WHO AGAIN STRESSED IN HIS SUNDAY LONDON TELEGRAPH INTERVIEW THAT THE PLO SHOULD HAVE ITS OWN SEPARATE DELEGATION AT GENEVA. BOTH LEADERS CONCURRED, HOWEVER, IN THEIR SUPPORT FOR THE ESTABLISHMENT OF AN INDEPENDENT PALESTINIAN STATE IN THE WEST BANK AND GAZA. MOREOVER, ASAD FOLLOWED SADAT'S LINE THAT IT WOULD BE IN THE INTERESTS OF SUCH A PALESTINIAN STATE TO BE LINKED WITH JORDAN IN SOME FORM OF FEDERATION.
SECRET

PAGE 05 STATE 011712

12. SADAT, FOR HIS PART, USED THE LONDON TELEGRAPH INTERVIEW TO EMPHASIZE HIS DESIRE FOR A RAPID RECONVENING OF THE GENEVA PEACE CONFERENCE AND THE NEED FOR PROGRESS ON A MIDDLE EAST SOLUTION IN THE CURRENT YEAR. SAYING THAT HE HAD TAKEN A "CALCULATED RISK" TOWARD PEACE BY PROPOSING HIS PEACE OFFENSIVE WHEN HE DID LAST FALL, AND STRESSING HIS WILLINGNESS TO MAKE CONCESSIONS TO THIS END, SADAT STATED AS HE HAS PREVIOUSLY THAT:

--EGYPT WOULD ACCEPT ANY "GUARANTEES" ISRAEL WANTED AS PART OF A FINAL SETTLEMENT, WHETHER BILATERAL OR INTERNATIONAL;

--HE WOULD NOT OPPOSE ISRAEL'S SIGNING A DEFENSE PACT WITH THE US AFTER A SETTLEMENT, AND WOULD NOT MAKE SUCH AN AGREEMENT WITH THE US OR "ANYONE ELSE" FOR EGYPT;

--FRANCE AND BRITAIN SHOULD PLAY A MORE ACTIVE ROLE IN THE MIDEAST ARENA, AN ALLUSION TO HIS EARLIER CALL FOR A COMBINED EUROPEAN STANCE VIS-A-VIS THE PEACE PROCESS.

13. SADAT ALSO INDICATED THAT ONE FACTOR INFLUENCING HIS DESIRE FOR PEACE WAS EGYPT'S HEAVY EXPENDITURE FOR ITS MILITARY, WHICH IS SIGNIFICANTLY HURTING EGYPT'S ECONOMY. HINTING THAT EGYPT MIGHT REDUCE THE SIZE OF ITS ARMED FORCES AFTER A PEACE AGREEMENT, SADAT STATED THAT EGYPT "CANNOT AFFORD TO GO ON BEARING" THE BURDEN OF FINANCING SUCH A LARGE MILITARY ESTABLISHMENT.

14. NEVERTHELESS, THE EGYPTIANS ALSO APPEAR TO REALIZE THAT A MARCH CONVENING OF THE GENEVA CONFERENCE IS BECOMING UNLIKELY. IN HIS RECENT FOREIGN POLICY ADDRESS FAHMY STATED THAT EGYPT WOULD ASK THE UN SECURITY COUNCIL TO DISCUSS THE MIDDLE EAST PROBLEM IF EFFORTS FAILED TO RESTART GENEVA BY MARCH. IN THIS WAY, HE IN-
SECRET

PAGE 06 STATE 011712

DICATED THE EGYPTIANS COULD MAINTAIN THE MOMENTUM TOWARD NEGOTIATIONS AND ENSURE THAT ATTENTION REMAINS

FOCUSED ON THE MIDDLE EAST DESPITE A POSTPONEMENT OF THE PEACE CONFERENCE.

15. THE CAIRO DAILY AL-AHRAM REPORTED YESTERDAY THAT SADAT, ASAD, AND SUDANESE PRESIDENT NIMEIRI WOULD MEET IN KHARTOUM SOME TIME IN FEBRUARY. AKHBAR ALSO ANNOUNCED THAT A "LIMITED SUMMIT" WOULD BE HELD IN DAMASCUS IN MARCH AMONG ASAD, SADAT, HUSAYN, SARKIS, AND ARAFAT. FAHMY STATED JANUARY 15 THAT THE ARAB HEADS OF STATE WOULD ALSO MEET SEPARATELY DURING THE AFRO-ASIAN SOLIDARITY CONFERENCE WHICH BEGINS MARCH 7. EMBASSY CAIRO NOTED

THAT THE CAIRO PRESS HAS BILLED THESE PROLIFERATING ARAB "SUMMITS" AS MOVES TO STRENGTHEN ARAB UNITY IN PREPARATION FOR A GENEVA CONFERENCE. (CONFIDENTIAL)

16. EGYPT. EMBASSY CAIRO ESTIMATES THAT THE EGYPTIAN GOVERNMENT APPEARS TO BE ADOPTING A HARD PUBLIC STANCE ON RELATIONS WITH THE SOVIETS, PRIOR TO THE SCHEDULED JANUARY 25 ARRIVAL OF A SOVIET TRADE DELEGATION TO RENEGOTIATE THE EGYPTIAN-SOVIET TRADE PACT. AS EVIDENCE OF THIS, THE EMBASSY POINTED TO A RECENT AL-AHRAM EDITORIAL BLAST AT MOSCOW, AND FAHMY'S STATEMENT THAT "IF THE SOVIETS BACK THE ARAB POSITION, MOSCOW SHOULD PROVIDE EGYPT WITH ARMS." (LIMITED OFFICIAL USE)

17. YUGOSLAVIA-MIDDLE EAST. YUGOSLAV PRESIDENT TITO IS SCHEDULED TO LEAVE BELGRADE TODAY FOR THREE DAYS OF TALKS WITH LIBYAN PRESIDENT QADHAFI, FOLLOWED BY DISCUSSIONS IN EGYPT WITH PRESIDENT SADAT. THE PRESS IN YUGOSLAVIA IS PLAYING UP THE TRIP, STRESSING THAT ITS PURPOSE IS TO CONTRIBUTE TO THE CURRENT "MOMENTUM" TOWARD PEACE IN THE MIDDLE EAST. THE YUGOSLAVS EVIDENTLY BELIEVE THAT TITO CAN PLAY A SIGNIFICANT ROLE IN
SECRET

PAGE 07 STATE 011712

STRENGTHENING INTER-ARAB SOLIDARITY AND IN ENSURING THAT PALESTINIAN INTERESTS ARE KEPT IN THE FOREFRONT AS THE ARABS PREPARE FOR THE RECONVENING OF THE GENEVA CONFERENCE.

18. TITO MAY ALSO TRY AGAIN TO ENCOURAGE SADAT TO STRIKE A BALANCE IN CAIRO'S RELATIONS WITH THE SUPER-POWERS BY IMPROVING EGYPT'S TIES WITH THE USSR. THERE ARE NO INDICATIONS THAT TITO'S TALKS IN EITHER LIBYA OR EGYPT WILL RESULT IN SIGNIFICANT CHANGES IN THE POSITIONS OF ANY OF THE PARTIES ON THE BASIC ELEMENTS OF A MIDDLE EAST SETTLEMENT. (CONFIDENTIAL)

19. TUNISIA. PRESIDENT BOURGUIBA RETURNED TO TUNIS ON JANUARY 14 AFTER A THREE-MONTH REST CURE IN GENEVA. IN A BRIEF, EMOTIONAL ARRIVAL STATEMENT, HE ADMITTED THAT HE WAS STILL ILL AND RECONFIRMED HIS CONFIDENCE IN PRIME MINISTER NOUIRA AS HIS CHOICE TO RUN THE COUNTRY. EMBASSY TUNIS REPORTS THAT BOURGUIBA'S ADDRESS, DURING WHICH HE HAD DIFFICULTY EXPRESSING HIMSELF, STUNNED TUNISIANS WHO HEARD IT. THE REPORT SUGGESTS THAT IN MANY RESPECTS THE POST-BOURGUIBA ERA OF TUNISIAN POLITICS HAS ALREADY BEGUN. (SECRET)
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Message Attributes

Automatic Decaptioning: X
Capture Date: 22-Sep-1999 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INTELLIGENCE ASSESSMENTS, POLITICAL SUMMARIES
Control Number: n/a
Copy: SINGLE
Sent Date: 18-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE011712
Document Source: ADS
Document Unique ID: 00
Drafter: INR/RNA/NE:AAVACCARO:CA
Enclosure: n/a
Executive Order: 11652 XGDS-2
Errors: n/a
Expiration:
Film Number: D770019-0589
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770193/baaevca.tel
Line Count: 269
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: 2e9784de-c288-dd11-92da-001cc4696bcc
Office: ORIGIN INR
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3681626
Secure: OPEN
Status: NATIVE
Subject: INTSUM 235 - JANUARY 18, 1977
TAGS: PINR, EG, IS
To: SINAI
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/2e9784de-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009